

**AUDIT REPORT
LOVE COUNTY
EMERGENCY MEDICAL SERVICE
FOR THE YEAR ENDED JUNE 30, 2002**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

February 4, 2003

TO THE BOARD OF DIRECTORS OF THE
LOVE COUNTY EMERGENCY MEDICAL SERVICE

Transmitted herewith is the audit of the Love County Emergency Medical Service for the fiscal year ended June 30, 2002. The audit was conducted in accordance with *Government Auditing Standards*.

A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the Love County Emergency Medical Service.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the course of our audit.

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and to issue reports that serve as a management tool to the state to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

**LOVE COUNTY
EMERGENCY MEDICAL SERVICE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

TABLE OF CONTENTS

Board Members	ii
Report of State Auditor and Inspector	1
Financial Statements	
Balance Sheet.....	3
Statement of Revenues, Expenditures, and Changes in Fund Balance	4
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	5
Notes to the Financial Statements.....	6
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	10

**LOVE COUNTY
EMERGENCY MEDICAL SERVICE
BOARD MEMBERS
JUNE 30, 2002**

ACTING CHAIRMAN

Robert Hughes

SECRETARY

Margaret Stewart

TREASURER

Robert Hughes

MEMBERS

Mary Christie

Lawrence Anderson

Marty Grisham



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE BOARD OF DIRECTORS
OF THE LOVE COUNTY EMERGENCY MEDICAL SERVICE

We have audited the accompanying financial statements of the Love County Emergency Medical Service, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the Emergency Medical Service. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As explained in Note 1(F), the financial statements referred to above do not include the general fixed assets account group which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Love County Emergency Medical Service, as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2002, on our consideration of the Love County Emergency Medical Service's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon". The signature is written in a cursive style with a large, looping initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

August 28, 2002

Financial Statements

**LOVE COUNTY EMERGENCY MEDICAL SERVICE
BALANCE SHEET
JUNE 30, 2002**

	<u>Governmental Fund Type General Fund</u>
<u>ASSETS</u>	
Cash	\$ 36,611
Ad valorem taxes receivable	1,557
Sales tax receivable	<u>1,314</u>
 Total assets	 <u>\$ 39,482</u>
 <u>FUND BALANCE</u>	
Fund balance:	
Unreserved:	
Undesignated	<u>\$ 39,482</u>
 Total fund balance	 <u>\$ 39,482</u>

The notes to the financial statements are an integral part of this statement.

**LOVE COUNTY EMERGENCY MEDICAL SERVICE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Governmental Fund Type
	General Fund
Revenues:	
Ad valorem taxes	\$ 95,949
Sales tax	17,993
Miscellaneous revenues	162
Total revenues	114,104
Expenditures:	
Current operating:	
Provider contract	81,692
Maintenance and operations	271
Total expenditures	81,963
Excess of revenues over (under) expenditures	32,141
Beginning fund balance	7,341
Ending fund balance	\$ 39,482

The notes to the financial statements are an integral part of this statement.

**LOVE COUNTY EMERGENCY MEDICAL SERVICE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Beginning fund balances, budgetary basis	<u>\$ 3,974</u>	<u>\$ 3,974</u>	<u>\$ -</u>
Revenues:			
Ad valorem taxes	84,010	96,475	12,465
Sales tax	15,478	17,963	2,485
Miscellaneous revenues	<u> </u>	<u>162</u>	<u>162</u>
Total revenues, budgetary basis	<u>99,488</u>	<u>114,600</u>	<u>15,112</u>
Expenditures:			
Current operating:			
Provider contract	81,692	81,692	
Maintenance and operations	<u>21,770</u>	<u>271</u>	<u>21,499</u>
Total expenditures, budgetary basis	<u>103,462</u>	<u>81,963</u>	<u>21,499</u>
Excess of revenues and beginning fund balances over (under) expenditures	<u>\$ -</u>	36,611	<u>\$ 36,611</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balance			
Add: Ad valorem tax receivable		1,557	
Sales tax receivable		<u>1,314</u>	
Ending fund balance		<u>\$ 39,482</u>	

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

**LOVE COUNTY EMERGENCY MEDICAL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. Summary of Significant Accounting Policies

The financial statements of the Love County Emergency Medical Service (EMS) are required to be presented in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

A. Reporting Entity

The EMS is a governmental entity organized under the laws of the State of Oklahoma, and is not subject to federal or state income taxes. The EMS was created to provide ambulance service to all of the citizens.

The accompanying financial statements include all EMS funds, functions, and activities over which the EMS Board exercises significant influence. Significant influence or accountability is based primarily on the oversight exercised by the EMS Board. The EMS does not have any component units.

B. Basis of Presentation – Fund Accounting

Governmental entities use funds and account groups to report financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregation of transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Governmental Funds

A governmental fund is used to account for all of the EMS's general activities.

General Fund – The general fund accounts for all revenues and expenditures applicable to the general operations of the EMS.

Account Groups

An account group is not a fund. It is concerned only with the measurement of financial position. It is not involved with measurement of results or operations.

**LOVE COUNTY EMERGENCY MEDICAL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

Summary of Significant Accounting Policies (continued)

General Fixed Assets Account Group (GFAAG)

Accounting principles generally accepted in the United States of America require that the fixed assets of a governmental entity be reported in a general fixed assets account group (GFAAG). This account group is not a fund. It does not have a balance sheet as such, nor does it report operations. Instead, the GFAAG serves as a list of the EMS's fixed assets and is designed to ensure accountability.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The general fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be quantified, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The EMS considers property taxes as available if collected within 60 days after year-end. Expenditures are recorded when incurred, and the related fund liability is expected to be paid from available spendable resources. Those revenues susceptible to accrual are property taxes and sales tax.

D. Budgetary Policies and Procedures

The budget presented for the general fund includes the originally approved budgeted appropriations for expenditures as adjusted for supplemental appropriations and approved transfers between budget categories.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund. Any encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. At the end of the year, unencumbered appropriations are lapsed.

The Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget to actual, will differ from the data as presented in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance because of adopting certain aspects of the modified accrual basis of accounting and the adjusting of encumbrances to their related budget year.

**LOVE COUNTY EMERGENCY MEDICAL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

Summary of Significant Accounting Policies (continued)

E. Cash

Cash includes amounts in demand deposits.

State statutes authorize the governmental entity to invest in obligations of the U.S. Treasury, certificates of deposit, or savings accounts of banks, savings and loans, and trust companies if secured by acceptable collateral where the collateral has been deposited with a trustee or custodian bank.

F. Fixed Assets

The EMS does not maintain individual records of personal property nor does the EMS keep records for land, buildings, and improvements. Because the EMS does not maintain detailed records of its land, buildings, and improvements, a statement of general fixed assets, required by accounting principles generally accepted in the United States of America, is not presented on the Balance Sheet.

G. Risk Management

The EMS does not believe that they are exposed to much risk since they contract with the Love County Health Center which provides service. The contract requires the provider to carry insurance on vehicles and personnel.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

On or before June 1 of each year, a budget for each fund, as required by the Board, shall be completed. The budget is approved by fund and object. The EMS Board may approve changes of appropriations within the fund by object. To increase or decrease the budget by fund requires approval by the Excise Board.

3. Detailed Notes on Account Balances

A. Cash

At year-end, the carrying amount of the EMS's deposits was \$36,611, and the bank balance was \$36,611. Of the bank balance, all funds were covered by federal depository insurance.

**LOVE COUNTY EMERGENCY MEDICAL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

Detailed Notes on Account Balances (continued)

B. Receivables

The property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the District, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. The tax is collected by the County Treasurer and remitted to the EMS.

Article X, § 9C of the Oklahoma Constitution authorized the formation of EMS districts and authorized a tax levy not to exceed three mills for the purpose of providing funds to support, organize, operate, and maintain district ambulance services. County voters approved a three mill levy to support the operations of the EMS. Property taxes are considered currently receivable if collected within 60 days.

The assessed property value as of January 1, 2001, was approximately \$31,114,955 after deducting homestead exemptions of approximately \$2,364,539.

Taxes are due on November 1 following the levy date, although, they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year.

Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

Current year tax collections for the year ended June 30, 2002, were approximately 92.87 percent of the tax levy.

4. Provider Contract

The EMS Board has contracted with the Love County Health Center to provide EMS services in Love County.

5. Sales Tax

Love County voters authorized a one cent sales tax on September 9, 1997, to run for five years. The Love County EMS receives five percent of the sales tax.

**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

TO THE BOARD OF DIRECTORS
OF THE LOVE COUNTY EMERGENCY MEDICAL SERVICE

We have audited the financial statements of the Love County Emergency Medical Service, as of and for the year ended June 30, 2002, and have issued our report thereon dated August 28, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We qualified our opinion because the general fixed assets account group was not included in the financial statements.

Compliance

As part of obtaining reasonable assurance about whether Love County Emergency Medical Service's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Love County Emergency Medical Service's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Love County Emergency Medical Service's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described below.

Fixed Assets

Finding 98-1

The Love County EMS does not maintain a detailed listing of fixed assets. Fixed assets records are not updated and do not contain sufficient historical data.

We recommend a control total of all Love County EMS-owned assets (i.e., equipment, land, buildings, and improvements, etc.) be compiled and maintained by the EMS for inclusion in the financial statements.

Segregation of Duties

Finding 92-2

The limited number of individuals within the EMS prevents a proper segregation of accounting functions, which is necessary to assure adequate internal control structure.

We recommend management be aware of this condition and realize the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of EMS operations and a periodic review of the operations.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider items 98-1 and 92-2 to be material weaknesses.

The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 87 requires the inclusion of the following paragraph in this report:

This report is intended solely for the information and use of the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of this Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

August 28, 2002